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ACTION H-00

INFO LOG-00 NP-00 WHA-00 DS-00 TEDE-00 L-00 SSO-00
SS-00 STR-00 DSCC-00 DRL-00 SAS-00 /000W
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R 301958Z MAR 05
FM AMEMBASSY CARACAS
TO AMEMBASSY BOGOTA
AMEMBASSY BRASILIA
AMCONSUL SAO PAULO
SECSTATE WASHDC 9969
INFO AMEMBASSY LA PAZ
AMEMBASSY LIMA
AMEMBASSY QUITO

RELEASED IN PART
B1, 1.4(D)

C O N F I D E N T I A L CARACAS 000916

BRASILIA FOR BRUCE WILLIAMSON (TO PASS TO CODEL COLEMAN)
SAO PAULO FOR DAVID WOLFE (TO PASS TO CODEL COLEMAN)
BOGOTA FOR KEVIN VAILLANCOURT (TO PASS TO CODEL COLEMAN)

E.O. 12958: DECL: 03/28/2015
TAGS: PGOV, PREL, ECON, ENRG, KCRM, VE
SUBJECT: VENEZUELA: [REDACTED]
[REDACTED]

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Classified By: Charge d'Affaires Stephen G. Mcfarland. Reason: 1.4(b)
and (d).

Summary

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UNITED STATES DEPARTMENT OF STATE
CLASSIFIED BY DEPT. OF STATE, L. R. LOHMAN, DAS, A/RPS
REVIEW AUTHORITY: JOHN L MILLS
CLASSIFICATION: CONFIDENTIAL REASON: 1.4(D)
DECLASSIFY AFTER: 29 MAR 2030
DATE/CASE ID: 02 NOV 2005 200304736

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Democratic Institutions At Risk

2. (C) President Hugo Chavez consolidated his power in 2004 by winning the recall referendum in August with more than 59 pct of the vote in elections validated by the Carter Center and the OAS. The international observers did, however, recognize the irregularities that marred the process. As a result of regional elections in October 2004, Chavez loyalists control 21 of 23 governorships and the mayoralty of metropolitan Caracas. Pro-Chavez parties also hold a majority in the National Assembly.

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Chavez also has the unwavering support of the electoral commission, the attorney general, and the human rights ombudsman.

He has replaced senior military leadership with loyalists and in December called for a new Venezuelan military doctrine that resists "U.S. imperialism."

Political Persecution On The Rise

For example, the government issued arrest warrants against leaders of "Gente de Petroleo" ("Petroleum People"), a civil society group composed of fired state oil company workers, for their involvement in the December 2002 - February 2003 national strike. The government is also investigating the NGO "Sumate" ("Join Up") and other opposition groups on charges of conspiracy for having accepted funding from the National Endowment for Democracy, which the government accuses of financing efforts to overthrow Chavez.

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Bilateral Relations Getting Frosty

4. (C) Chavez advocates a "multi-polar world" foreign policy that seeks to offset U.S. international influence. [REDACTED]

[REDACTED] He regularly sponsors gatherings [REDACTED] in Venezuela, called the "Bolivarian Peoples' Congress", and also recently instituted a "World Conference of Intellectuals." In recent months Chavez visited China, Iran, Libya, Russia, India, Spain and France, promoting his anti-U.S. message. Chavez frequently charges the USG with planning the April 2002 coup attempt and alludes to fears of alleged USG assassination plots. [REDACTED]

[REDACTED] Chavez continues to harp on USG "imperialist" practices such as the wars in Iraq and Afghanistan and the promotion of "neoliberal" economic models. The Chavez administration has systematically reduced government-to-government contact, including International Visitors Programs, military-to-military exchanges, and some law enforcement training opportunities. His frequent denunciations of the U.S. -- in February he accused the U.S. of plotting his murder -- however, are interspersed with calls for a better bilateral relationship, to be achieved by the U.S.'s abandoning any criticism of his government.

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Strong Ties with Cuba

5. (C) Chavez [REDACTED] counts Castro as his closest international ally. A Venezuela-Cuba agreement gives Cuba concessionary oil terms partly in exchange for the services of Cuban health and social workers and sports trainers in Venezuela's poor neighborhoods [REDACTED]

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Macro-Economy - Oil Boom

6. (C) After brutal economic declines in 2002 and 2003 (negative GDP growth of 8.9 and 7.6 pct respectively), in 2004 Venezuela has enjoyed a brisk recovery (positive GDP growth of 20.4 pct) which is entirely attributable to the high price of oil, its principal export commodity. The revenue obtained from sales at these prices, which have made up in large measure for continued lower production levels in the two years following the December 2002 - February 2003 general strike, have been translated by the Chavez government into [redacted] public spending policies that have stimulated consumption. [redacted]

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Oil and Gas

8. (C) Venezuela has oscillated between being the U.S.'s third and fourth largest oil supplier and has a significant retail presence in the U.S. through state oil producer PDVSA's wholly-owned subsidiary CITGO. Prior to the December 2002-February 2003 general strike, Venezuela produced as much as 3.2 million barrels per day. [REDACTED]

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[REDACTED] While Venezuela's oil industry was initially developed by international oil companies, it was nationalized in the 1970's. Under a partial opening of the sector in the 1990s, foreign companies were allowed to return to work with PDVSA under a variety of differential contractual regimes. ChevronTexaco, ConocoPhillips, and Exxonmobil have all made major investments here, including in the development of large deposits of "heavy" crudes in the Orinoco basin.

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A Difficult Business Environment

10. (C) While oil dominates the bilateral economic relationship, other U.S. business, ranging from automobile manufacturing to banking, pharmaceuticals, and aviation, has a long history in Venezuela. While these firms are taking advantage of the current economic recovery, they face significant difficulties in doing business.

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A dispute between state-owned PDVSA and U.S. firm Science Applications International Corporation (SAIC) over a failed joint-venture has led to the USG's Overseas Private Investment Corporation (OPIC) declaring Venezuela to have expropriated U.S. property. In mid-2003 the U.S. Export-Import Bank made Venezuela ineligible for its lending programs under most circumstances.

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Counter-Narcotics Cooperation Continues

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12. (SBU) The Venezuelan Government cooperates on counter-narcotics matters, limited at times by a lack of resources and political will. Cocaine seizures during the first six months of 2004 equaled the amount seized in Venezuela during all of 2003, thanks in large part to two multi-ton seizures made by Venezuelan task forces working closely with USG and UK law enforcement. The government also carried out some 400 cocaine and heroin seizures during that same time period. The GOV has in the past extradited a number of drug traffickers to the U.S., though none of them Venezuelan nationals (Venezuela's constitution prohibits extradition of nationals). An organized crime bill has languished in the National Assembly for two years. Corruption in law enforcement facilitated some narcotics trafficking; at the judicial level, it sometimes impeded investigations and prosecutions.

Some Help On Counter-Terrorism and Law Enforcement

13. (SBU) The Government of Venezuela provides limited cooperation in fighting terrorism, though there are often political hurdles raised. There are potential terrorist threats to U.S. interests that have Venezuelan connections. Venezuela is susceptible to the movement of people and funds by radical Islamic groups or individuals.

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[REDACTED] The
[REDACTED]
FBI and State Department have sponsored training for Venezuelan police to improve the government's capacities and increase working level contact. The Government of Venezuela continues to cooperate in non-terrorism-related cases such as the recent deportation of two non-Venezuelan nationals to the United States (one on drug charges, the other for sex offenses). Cooperation between customs and immigration officials have permitted long-term placement of DHS inspection advisors at Caracas' Maiquetia International Airport and the port of Puerto Cabello, contributing to U.S. counter-drug and counter-terrorism efforts.
McFarland

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